



What in the World Is Flipping?

by Ted Boyer, Division Director

At a recent meeting of the Association of Appraiser Regulatory Officials, Jerry R. Jolly, Acting Director of the California Office of Real Estate Appraisers, John S. Brennen, Chief of Licensing and Enforcement for California and Larry Disney, Chief Investigator for the Kentucky Real Estate Appraisers Board, presented an excellent and informative program on flipping.

A flip was defined as "A fraudulent real estate transaction, where a property is bought and then sold again at a greatly exaggerated price." Additional definitions are: "In flipping schemes, properties are quickly bought and sold and the value of the property is artificially inflated through the use of improper appraisals. Flipping schemes are characterized by non-arms length transactions between business partners." (*Star Tribune*, Minneapolis, Mn.); "The flipping scheme involves legitimate initial purchases of (property), followed quickly by non-arms' length sales at inflated values to related or affiliated parties associated with the initial purchase." (*The Commercial Appeal*, Memphis, Tn.)

To illustrate their point, the presenters used actual sales histories of flipped properties. One sales history looked like this:

07/19/96: REO purchase	\$262,000
10/21/97: List price	\$385,000
01/22/98: Amended list price	\$375,000
05/02/98: Purchase contract	\$370,000
07/27/98: Closed escrow	\$370,000
08/18/98: List price	\$625,000
08/31/98: Purchase contract	\$622,000
09/04/98: Appraisal	\$622,000
12/03/98: Closed escrow	\$622,000
12/03/98: Trust deed	\$495,000

You might ask, "How can they do this?" Actually, a number of techniques are used, each of which involves a fraudulent appraisal. Typically, a straw buyer poses as the real buyer, preferably someone with good credit. After the final flip, the straw buyer is either paid a flat fee or shares in the excess proceeds of the purchase money mortgage. Occasionally, the straw buyer pretends to be someone else after stealing that person's identity. Sometimes the flip is an "inside job" with the escrow, title, or mortgage company manipulating the transaction. Frequently, the subject property is located in an area of moderately priced homes with pockets of higher priced homes, facilitating the availability of higher comparable sales information near the subject.

The common thread in all of these techniques is the involvement of an appraiser. Sometimes the appraiser is complicit. On occasion, a forged appraisal is used. Sometimes an innocent appraiser is duped into participating in the fraud. For example, the appraiser may lack geographic competency. Or, the client may offer an exorbitant fee for a rush job for which the client furnishes comparable sales information to support the pushed value conclusion. Sometimes the appraiser is motivated by the promise of future work to look for comparable sales information that supports the value sought rather than the actual value of the property.

The purpose of this article is not to teach people how to participate in fraudulent flipping, but rather, to make you aware of the problems and temptations in the market place and to help you recognize a problem when you see it. If you are suspicious about a transaction, ask yourself the following questions:

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What is Flipping?

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- Is the sale price significantly higher than the list price?
- Is the appraised value in line with recent comparable sales in the neighborhood?
- Has the home sold recently for a significantly lower price?
- Is the subject home located in an area of moderately priced homes with pockets of higher priced homes and overvalued?
- Is the home being transferred among related or affiliated parties?
- Has the property traded several times within a short period of time?

It is still perfectly legal to buy a property at a good price and resell it at a profit. It is only when elements of fraud enter the picture that people get in trouble and cause trouble for others.

Appraisal Organizations Join Forces on Valuation 2000

by J. Michael Hill, Chair,
Board of Trustees, *Foundation News*

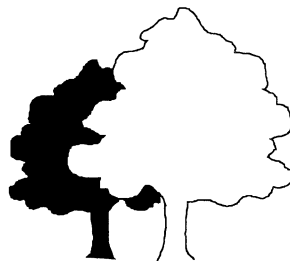
A joint conference sponsored by the American Society of Appraisers (ASA); the American Society of Farm Managers & Rural Appraisers (ASFMRA) and the Appraisal Institute is planned for July 10th through 13th at the MGM Grand Hotel in Las Vegas, Nevada.

The event, *Valuation 2000*, will focus on environmental concerns and valuation technology in the valuation industry of the future; regulatory concerns and valuation; and other topics of interest to appraisers.

The conference will offer many different education sessions on the appraisal of all types of property. An exposition is also planned for the conference, providing unique networking opportunities to attendees.

In addition to the many educational opportunities, the following organizations will hold their annual business meeting and other programs in conjunction with the conference:

- American Society of Appraisers
- American Society of Farm Managers & Rural Appraisers
- Appraisal Institute
- National Association of Independent Fee Appraisers
- National Association of Master Appraisers




The Appraisal Foundation will also host a number of events in conjunction with the conference, including public meetings of the Appraiser Qualifications Board (AQB); the Appraisal Standards Board (ASB), the industry Advisory Council (IAC), a panel discussion on International Standards as well as a Golf Tournament.

The Appraisal Foundation is pleased with this unique opportunity and commends the organizing groups on the joint effort.

Registration information on Valuation 2000 is available on the Internet at www.val2000.org.

Reprinted from *FoundationNEWS*, Vol. 11, Number 1

 **Utah Real Estate
Appraiser Review**

Purpose: To provide licensees with the information and education they need to be successful in competently serving the public

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Published by the
*Utah Division of Real Estate
Department of Commerce
160 East 300 South (84111)
PO Box 146711
Salt Lake City, UT 84114-6711
(801) 530-6747*

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Div. of Real Estate home page address:
<http://www.commerce.state.ut.us/web/commerce/rc/udrel.htm>

USPAP Q & A

This communication by the Appraisal Standards Board (ASB) does not establish new standards or interpret existing standards. The ASB USPAP Q&A is issued to state and territory appraisal regulators to inform all states and territories of the ASB responses to questions raised by regulators and individuals; to illustrate the applicability of the Uniform Standards of Professional Appraisal Practice (USPAP) in specific situations; and to offer advice from the ASB for the resolution of appraisal issues and problems. The ASB USPAP Q&A do not constitute a legal opinion of the ASB.

Vol. 1, No. 12 - December 1999



Question #1

What does USPAP say about property flipping?

Answer:

The phrase “property flipping” or “a flip” is commonly used to describe the transfer of property where fraud is used to obtain inflated prices and loans.

It is important to note that “property flipping” is distinctly different than the usual activity of buying and selling property at a profit. The market for real estate is imperfect. Knowledgeable and honest parties seek opportunities to acquire a given property at a favorable price with the objective of reselling that property at a profit. Such activity does not constitute flipping as there is no intent to mislead or defraud.

USPAP does not describe property flipping, itself, but it does prohibit appraisers from communicating assignment results in a fraudulent or misleading manner. The ETHICS RULE is explicit about any kind of activity designed to mislead or defraud – as specified in the Conduct Section of the ETHICS RULE:

An appraiser must perform assignments ethically and competently in accordance with these standards, and must not engage in criminal conduct.

An appraiser must not communicate assignment results in a misleading or fraudulent manner. An appraiser must not use or communicate a misleading or fraudulent report or knowingly permit

an employee or other person to communicate a misleading or fraudulent report.

Question #2

Since many flipping schemes rely on appraisals, what kinds of things should appraisers look for to avoid being entangled, inadvertently in such schemes?

Answer:

There are a number of actions appraisers can take to safeguard against over-valuations.

Standards Rule 1-5 requires that appraisers analyze any current Agreement of Sale, option, or listing of the property, when such information is available. Many lenders require that Agreements of Sale be provided to the appraiser for their review and analysis. Sometimes the second or third leg of a flip can be discovered when the seller in the sale agreement is not the owner of record. Verification of the terms of sale with brokers may also reveal multiple transactions on the same property.

Experienced appraisers can recognize anomalies in the market and will avoid relying on sales that do not reflect the prevailing market. If an appraiser is asked to value a property in area that is unfamiliar to them they should become familiar with the area and the market for the subject property. The Comment to the Competency Rule states the following:

The concept of competency also extends to appraisers who are requested or required to travel to geographic areas wherein they have no recent appraisal experience. An appraiser preparing an appraisal in an unfamiliar location must spend sufficient time to understand the nuance of the local market and the supply and demand factors relating to the specific property type and the location involved.

Standards Rule 1-4 requires the appraiser to collect, verify and analyze information applicable to the appraisal problem. Knowing the conditions of sale, financing and motivations of the buyer helps the appraiser to adjust sales to the market and avoid the affects of inflated prices.

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USPAP Q&A

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Standards Rule 1-2(e) requires that the appraiser identify the characteristics of the property that are relevant to the purpose and intended use of the appraisal including its location and physical, legal, and economic attributes. Knowledge of these attributes plays a critical role in the valuation process. Appraisers should exercise care in identifying these attributes noting any adverse condition which could impact the property's value.

Question #3:

Is there anything I can put into a report that would protect me from being entangled in a flipping scheme?



Answer:

There are safeguards in USPAP that pertain to reporting as well. It is good to review the first principle in all the reporting standards of USPAP: *to clearly and accurately set forth the appraisal in a manner that will not be misleading*. Providing candid and appropriate disclosures in the report serves to limit the appraiser's liability and inform the client of important issues that qualify the conditions of the appraisal.

Standards Rule 2-2(a-c)(ix) is a good example of where appropriate disclosures help appraisers avoid costly mistakes and subsequent criticism.

When the purpose of an assignment is to develop an opinion of market value, a summary of the results of analyzing the information required in Standards Rule 1-5 is required. If such information was unobtainable, a statement on the efforts undertaken by the appraiser to obtain the information is required. If such information is irrelevant, a statement acknowledging the existence of the information and citing its lack of relevance is required.

This Standards Rule requires that the appraiser disclose significant information specified in Standard Rule 1-5 if it is available or what steps were taken to obtain the information in the event that it was not obtained. The first type of disclosure protects the appraiser from over-valuation when the information is available and the second, if addressed properly, should convince third parties that the appraiser exercised reasonable care in the performance of the assignment.

Question #4:

Is the supervisory appraiser who signs an appraisal report that was developed for use in a property flipping transaction, responsible for the appraisal and contents of the appraisal report?

Answer:

Yes, SR 2-5 states: "An appraiser who signs a real property appraisal report prepared by another in any capacity accepts full responsibility for the appraisal and the contents of the appraisal report."

Vol. 2, No. 3 - March 2000

Question #1

I am a review appraiser for a national mortgage company. I recently received a residential appraisal reported on a commonly used form that has two signatures on the appraiser line (left hand side of the form). Both appraisers also signed the certification as "the appraiser". Does this violate USPAP?

Answer:

USPAP defines a signature (lines 479-480) as, "*personalized evidence indicating authentication of the work performed by the appraiser and acceptance of the responsibility for content, analyses, and the conclusions in the report.*" Therefore, both appraisers would have complete responsibility for the appraisal in its entirety. It is important to note that a dual signature implies that both appraisers participated in every portion of the development of and reporting of that appraisal.

Question #2:

I am a fee appraiser currently seeking to get on the approved list for a local mortgage company. In order to be considered for approval, this lender requires appraisers to provide sample appraisals performed within the past year. Is there a way that I can accomplish this without violating USPAP?

Answer:

In order to provide this information an appraiser must satisfy the Confidentiality Section of the Ethics Rule. This section states:

An appraiser must protect the confidential nature of the appraiser-client relationship. An appraiser must act in good faith with regard to the interests of the client in the use of confidential information and in the communication of assignment results.

An appraiser must not disclose confidential information or assignment results prepared for a client to anyone other than:

- 1) the client and persons specifically authorized by the client;*
- 2) state enforcement agencies and such third parties as may be authorized by due process of law; and*
- 3) a duly authorized professional peer review committee.*

It is unethical for a member of a duly authorized professional peer review committee to disclose confidential information presented to the committee."

The comment further explains that if all essential elements of confidential information are removed through redaction or the process of aggregation, client authorization is not required for the disclosure of the remaining information, as modified.

The appraiser in this case has 3 options:

1. Turn down the request to provide the information.
2. Secure a release from the client of each sample appraisal.
3. Provide sample reports, but redact all confidential information. Statement #5 in USPAP addresses the Confidentiality Section of USPAP. It stresses that all opinions and conclusions, developed specific to an assignment are confidential. Assignment results are an appraiser's:

- opinions or conclusions developed in an appraisal assignment, such as value;
- opinions of adequacy, relevancy or reasonableness developed in an appraisal review assignment; or
- opinions, conclusions or recommendations developed in a consulting assignment.

Question #3:

Why did the Appraisal Standards Board add Standards Rule 3-3 to 2000 USPAP?

Answer:

Standards Rule 3-3, which reads. "An oral appraisal review report must address the substantive matters set forth in Standards 3-2", was added for two main reasons: first, it was the Board's opinion, following public input, that Standard 3 should mirror Standard 2 as closely as possible. Secondly, until now Standard 3 did not address the fact that appraisal review reports are frequently given orally, particularly in court testimony settings.

For Your Info

Please remember, if you take a certified real estate course for the purpose of renewing your appraiser license, have the course provider sign your *appraiser continuing education report form* (found on page 13 in this issue—and on the inside back page of every *Appraiser Review* newsletter). The provider will probably want to give you the real estate continuing education certificate, which is fine if you need to also renew a real estate license. However, for your appraiser license, you must submit the appraiser continuing education form.

Practicing appraisers need to possess the year 2000 edition of USPAP and the current Utah statute and rules.

Contact:

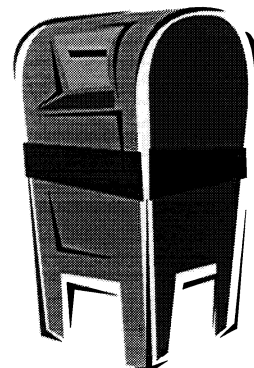
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(801) 530-6747

If you pick them up:

USPAP -- \$6.50
Rules --- \$3.00

If we mail them:

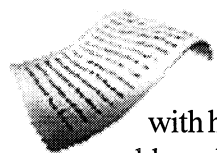
USPAP -- \$8.50
Rules --- \$5.00



Personal Letter to a Board Member from a Utah Appraiser

[Utah appraiser] here in Salt lake City. I don't write much, but you can be sure I'm reading this forum [*the Appraiser Review newsletter*].

Today a mortgage broker called me and identified himself as John from XYZ Mortgage. He said he was looking for a new appraiser, so I gave him my usual spiel. I told him – fast, friendly, high quality appraisals – that's me.



John said he's dumping his appraiser and needs a new appraiser who's competent with higher-priced homes. I told him, no problem. Expert appraiser in all value ranges – that's me.

Next he told me that his company pays higher appraisal fees – sometimes up to three times the normal fee! I said okay, you can pay me extra if you like – money grubbing, nearly starving appraiser – that's me.

Next he said he has a current loan which was completed by his previous appraiser, but he'd like me to re-do it. He faxed the appraisal to my office and I'm looking into it now. The problems with this appraisal are glaringly obvious for anybody who cares to review it. The house has been over-valued by approximately \$60,000, or 15-20 percent, and comparable sales information from the local board of Realtors does not match the data reported by the appraiser.

Coincidentally, today I received the quarterly appraisal newsletter from the Utah Department of Commerce [*Division of Real Estate*]. The newsletter lists all new disciplinary sanctions against appraisers in the state, and yes, you guessed it. There's John's previous appraiser who surrendered his certification in lieu of continuing to respond to the Division's investigation of twelve complaints filed against him over the past three years. No wonder John needs a new appraiser!

Kudos to the Department of Commerce [*Division of Real Estate*] for putting this lousy appraiser out of business.

Shame on the Department of Commerce [*Division of Real Estate*] for not finding a way to put this lender out of business. We all know that the loan officer probably pressured the appraiser into behaving unethically.

Don't worry. I won't become this lender's new whore. I just wish there was a way to warn all the other appraiser's about him, but I guess if the other appraisers in this area want to keep their licenses they'll keep their ethics pure.

Starving, but still ethical appraiser – that's me.

Mortgage Broker's Registration Under the New Utah Residential Practices Act

The Division of Real Estate has received a number of inquiries asking which companies and/or individuals must register under the new Utah Residential Practices Act, and when that registration will be taking place.

The Act becomes effective on July 1, 2000. However, until the law becomes effective, the newly appointed Residential Mortgage Regulatory Commission cannot meet and begin to make the rules and develop the procedures for how and when to register.

As a result, registration will not be required for a period of 60 to 90 days after the effective date of the Act. Specific details on the procedures for registration will be publicized at a later date.

Mortgage brokers who are not currently registered with the Department of Financial Institutions are invited to call the Division of Real Estate at 530-6747 and get your name on the notification list so that we might contact you when the time comes for official registration.

Disciplinary Sanctions



BROCKBANK, JAMES L., Certified General Appraiser, Price. Consented to pay a \$1,000.00 fine and have his certification placed on probation for one year beginning April 11, 2000, based on authorizing a registered appraiser to sign his name on an appraisal report. Brockbank maintains that he terminated the relationship with the registered appraiser when he learned that the registered appraiser had signed Brockbank's name to an appraisal report about which he had not been informed. Brockbank agreed that he will never again allow another to sign his signature on an appraisal report, and that his certification will be revoked if he fails to honor this promise. #AP99-09-23 and AP99-09-25.

DAHLIN, CHRISTOPHER A., State-Certified Residential Appraiser, Cedar City. Consented to pay a \$500.00 fine based on erroneously including in the gross living area of a home the square footage of an unheated workroom, and by failing to disclose in the report that he had assisted in the preparation of the report. In mitigation, when he prepared the report, he was a registered appraiser, and he has since completed additional education and the examination and become certified. In further mitigation, the error in square footage did not have a significant effect on the valuation of the home. #AP99-11-16.

DALTON, TROY W., Sate-Registered Appraiser, Midvale. Surrendered his registration, effective June 23, 2000, in lieu of continuing to respond to the Division's investigation of complaints filed against him in Cases AP98-01-14, AP 98-04-03, AP98-05-18, and AP20-05-04. Dalton agreed not to reapply for a new license for a minimum of two years that he will not own or manage a company that appraises in Utah or work for a Utah appraiser as a trainee, unclassified individual earning points for licensure or certification, clerical support staff, or in any other capacity for that same period of time.

EVANS, GARY A., Certified Residential Appraiser, Midvale. Agreed not to apply to renew his certification, effective May 9, 2000, in lieu of continuing to respond to the Division's investigation of Cases AP97-09-18, AP98-12-03, AP99-04-45, AP20-02-03, AP20-02-18, AP20-02-19, AP20-02-20, and AP20-03-03. Evans agreed not to apply for a new license or certification for a minimum of five years, and that he will not own or manage a company that appraises in Utah or work for a Utah appraiser as a trainee, unclassified individual earning points for licensure or certification, clerical support staff, or in any other capacity for that same period of time.

JOHNSON, GERALD L., State-Certified Residential Appraiser, Lindon. Consented to pay a \$1,000.00 fine, based on preparing a report in which he failed to make proper adjustments to comparables, failed to note the subject was much more expensive than homes in the immediate area, and failed to take land use regulations, economic demand, and likely neighborhood trends into

account. In mitigation, the report was done in 1995 and the Division has not received any subsequent complaints against him. #AP97-01-14.

KUHLMANN, LAURIE, fka LAURIE ORTON, State-Certified Residential Appraiser, St. George. Consented to pay a \$2,000.00 fine in settlement of a case in which the Division alleged that in a 1997 appraisal report, she failed to employ recognized methods and techniques, failed to consider existing land use regulations, used dissimilar comps, and failed to collect adequate documentation to support the report. Ms. Kuhlmann maintained in mitigation that any violations were a result of her inexperience and that she had no intent to mislead. #AP98-02-03.

LUDLOW, STERLING S., State-Certified Residential Appraiser, Spanish Fork. Agreed to retire from the appraisal profession in lieu of continuing to respond to the Division's investigation of complaints filed against him in Cases AP97-11-09, AP99-11-15, and AP20-02-26 as well as two additional complaints which had not yet been assigned case numbers. Ludlow agreed not to reapply for a new license for a minimum of five years, that he will not own or manage a company that appraises in Utah or work for a Utah appraiser as a trainee, unclassified individual earning points for licensure or certification, clerical support staff, or in any other capacity for that same period of time.

MERIWETHER, LAYNE T., Certified Residential Appraiser, Salt Lake City. Consented to pay a \$2,000.00 fine and have his certification placed on probation for one year beginning April 11, 2000, based on violating USPAP by failing to adequately supervise a registered appraiser. Meriwether maintains that the registered appraiser did not tell him that the subject property, on which the street address had changed, had sold approximately a year before for substantially less than the registered appraiser's appraisal of the property. He further maintains that he thought the registered appraiser's comparables were appropriate although they were not in the immediate neighborhood of the subject. #AP99-07-08.

THOMPSON, STEPHEN, State-Certified Residential Appraiser, formerly of Provo. Consented to pay a \$1,000.00 fine based on signing a report containing a substantial square footage error, failing to disclose that a registered appraiser assisted in or actually prepared the report, and on failing to respond to the Division's investigation of the matter in a timely fashion. #AP97-12-07.

WADLEY, MICHAEL, Registered Appraiser, Springville. Surrendered his registration, effective April 11, 2000, in lieu of continuing to respond to the Division's investigation of Case AP99-10-24. Wadley agreed not to reapply for a new license for a minimum of five years, that he will not own or manage a company which appraises in Utah, and that he will not work for a Utah appraiser as a trainee,

unclassified individual earning points for licensure or certification, clerical support staff, or in any other capacity, for that same period of time.

WRIGHT, JOHN R., Registered Appraiser, Provo. Agreed that his appraiser registration would not be renewed, effective May 9, 2000, and that he would not apply for a new license or certification for a minimum of two years. He also agreed that he will not own or manage a company that appraises in Utah, and that he will not work for a Utah appraiser as a trainee, unclassified individual earning points for licensure or certification, clerical support staff, or in any other capacity, for that same period of time. Among other things, Wright admitted using dissimilar comparables when similar comparables were available, using incorrect information in his reports, including incorrect square footage, and indicating "construction" under sales price in a report and "refinance" in another report on the same property, although both references were inaccurate or misleading.

WRIGHT, SUSAN L., Registered Appraiser, St. George. Surrendered her registration, effective April 11, 2000, in lieu of continuing to respond to the Division's investigation of Case AP99-07-09. Wright agreed not to reapply for a new license for a minimum of five years, that she will not own or manage a company which appraises in Utah, and that she will not work for a Utah appraiser as a trainee, unclassified individual earning points for licensure or certification, clerical support staff, or in any other capacity, for that same period of time.



LICENSING STATISTICS

<u>1999</u>	<u>RA</u>	<u>LA</u>	<u>CR</u>	<u>CG</u>	<u>Total</u>
June	1326	18	481	336	2161
July	1307	8	481	331	2127
August	1263	11	471	331	2127
September	1232	11	474	318	2035
October	1222	11	474	317	2024
November	1202	11	476	313	2002
December	1177	12	480	316	1985
<u>2000</u>					
January	1152	13	480	317	1962
February	1118	13	481	319	1931
March	1083	14	483	324	1904
April	1067	14	481	324	1886
May	1012	15	486	326	1839
June	974	16	485	328	1803

HUD Issues Rules for Removing Appraisers from Appraiser Roster

HUD recently issued provisions concerning HUD's Appraiser Roster. The Roster lists appraisers eligible to perform FHA single family appraisals and provides procedures for addressing unsatisfactory appraisers, including removal from the Roster.

This is a short summary:

HUD officials may at any time remove a listed appraiser from the Roster for cause. Cause for removal includes, but is not limited to:

- i) Significant deficiencies in appraisals, including non-compliance with Civil Rights requirement.
- ii) Failure to maintain standing as state-certified or state-licensed appraiser.
- iii) Prosecution for committing, attempting to commit, or conspiring to commit fraud, misrepresentation, or an other offence that may reflect on the appraiser's character or integrity.
- iv) Failure to perform appraisal functions in accordance with instructions and standards issued by HUD.
- v) Failure to comply with any agreement made between appraiser and HUD or with any certification made by the appraiser.
- vi) Being issued a final department, suspension, or limited denial of participation.
- vii) Failure to maintain eligibility requirements for placement on the Roster as set forth under standards issued by HUD.
- viii) Failure to comply with HUD-imposed education requirements within the specified period for complying.

HUD lists the procedure to be used for removal from the Roster. The individual is entitled to a conference with the designated HUD official, who then makes the decisions.

- i) Individual will be given written notice of proposed removal, to include reasons and duration of removal.
- ii) Individual will have 20 days from date of notice to submit written appeal and to request a conference.
- iii) Within 30 days of receipt of response a HUD official will review appeal and send a final decision.
- iv) If no response is received, removal will be effective 20 days after HUD's initial notice.

HUD has listed the procedure for reinstatement after removal. Appraiser must follow the original procedure for placement on the Roster. If education requirements have been imposed, they must have been met prior to reinstatement.

Where there is evidence that an appraiser is educationally deficient, HUD may require professional training and a retake of the HUD test on FHA appraisal methods and reporting.

Reprinted from *The Master Appraiser*, Vol XVIII No.6 June 2000

AQB 2000 Work Plan

by Arlen C. Mills, 2000 AQB Chair

Congress outlined the responsibilities of the AQB relating to the regulation of real property appraisers in two provisions contained in Title XI of FIRREA. Specifically, Congress mandated that the term “state certified real estate appraiser” means any individual “who meets the minimum criteria for certification issued by the Appraiser Qualifications Board of the Appraisal Foundation.”

Congress went on to state that in order to be a state certified real estate appraiser, an individual must achieve a passing grade on an examination “that is consistent with and equivalent to the Uniform State Certification Examination issued or endorsed by the Appraiser Qualification Board of the Appraisal Foundation.”

Within this context, members of the AQB act as quasi-regulators with an obligation to define, interpret, revise and issue appraiser criteria and to develop or supervise the development of appropriate qualifying examinations. The quasi-regulatory role also includes a commitment to advise and assist government agencies and to engage in all ancillary activities that will enable the AQB to carry out its duties and to achieve its mission. As a board recognized by state and federal law, the AQB acknowledges its responsibilities to seek public input in its deliberations and report its actions to all interested parties. This type of communication is being provided by the following report which furnishes information concerning our planned programs and activities for the coming year.

Update and Review of State Licensure and Certification Examinations

The AQB is in the process of reviewing and making revisions to the National Uniform Examination Content Outlines (ECOs), which are the underlying lists of subjects that dictate the composition of the examination item banks. As part of this process, a random sample of state licensed and certified appraisers will be surveyed to gain input on what changes have occurred in appraisal practice since the ECOs were last revised in 1993. The AQB is also looking into the possibility of dividing the state appraiser examinations into sections. For instance, there may be a separate exam section pertaining to USPAP, which an individual would have to pass in order to pass the overall exam. The separate section concept may also be used for income-related questions on the General Certified examination.

It is anticipated that the examination review process will be completed by the end of the year.

National USPAP Course Instructor Certification

Through the years, the AQB has received a multitude of reported problems arising from poorly qualified instructors teaching USPAP courses. State regulators and investigators have traced complaints concerning standards and ethics violations to improper USPAP instruction. In addition, many instructors are not teaching the interrelationship between the standards rules, the special provisions, statements and advisory opinions.

The AQB’s preliminary plan is to correct this problem by revising and expanding the content and difficulty of instructor and student examinations to better test the competency of the examinees. The plan also expands the idea of having USPAP instructor seminars taught by past or present Appraisal Standards Board (ASB) members and administered by the AQB. The AQB plans to proceed with the study and to implement this plan in regards to the *National USPAP Course*. An exposure draft will be issued in the near future for input regarding the Instructor Certification program. We look forward to considering public comment regarding this issue.

In the eyes of the AQB, the importance of the USPAP Instructor Certification Program cannot be overstated. It has long been the Board’s position that common materials and objectives are essential to achieving consistent education without qualified instructors; however, the materials may do little to

advance the understanding of USPAP. Good instruction produces students who comprehend fundamental concepts and how to apply them in daily practice. It also fosters appreciation and acceptance of USPAP. This is the only way that Standards can become relied upon rather than imposed upon the appraisal community. It is the opinion of the AQB that we can play an appropriate role in promoting uniformity and excellence in the instruction of USPAP. This is seen as being a primary goal for the coming year.

Advanced Personal Property Qualification Criteria

The AQB conducted a survey of organizations and their members requesting their opinions on developing voluntary advanced qualification criteria for personal property appraisers. The majority of the surveys completed by the individuals support the idea of having advanced qualification criteria. Based on input received, the Board will develop personal property advanced qualification criteria in 2000 for potential adoption in 2001. Any organization that represents personal property appraisers is strongly encouraged to contact the AQB to register as a "working group." The AQB intends to use these organizations as a research resource in the pre-exposure draft process.

The next public meeting of the AQB is planned for **July 14** in Las Vegas, NV, [Ed. note: see page 2] in conjunction with *Valuation 2000*.

Reprinted from *FoundationNEWS*, Vol. II, Number I

**You Must Notify
the Division
-- in Writing --**

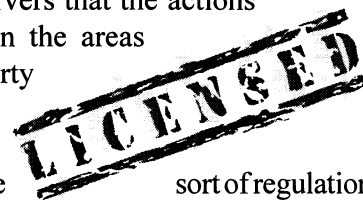
Within 10 Days of:



- a change of personal address
- a change of business address
- a change of name
- a change of personal or business telephone number
- a conviction of a criminal offense
- a filing of bankruptcy

Do Appraisers Need a Property Inspection License to Complete the New HUD Forms?

With the new inspection requirements from HUD requiring appraisers to complete HUD form 92564 VC, the question has arisen regarding the possibility that states may require appraisers to become licensed property inspectors. There is little doubt among observers that the actions required by HUD are in the areas covered by current property inspection license laws.



About 11 states have some sort of regulation of property inspectors at this time. There is little question that the acts required under the HUD rules are in fact an "inspection" of the property, and the same functions now requiring a license in these states.

The results are mixed at this point, with Nevada notifying interested parties that they felt the inspection required by HUD is regulated by their property inspection laws and appraisers must be licensed. Texas, which has the oldest property inspection law, has indicated that a licensed appraiser, when performing an appraisal, would be exempt from the property inspection license law. Emphasis was added that the exemption applied only when the action was a part of the appraisal process. The Texas Appraiser Licensing and Certification Board indicates that they have received many questions regarding the problem.

A second important factor for appraisers are the requirements of the USPAP Competency Rule. Many feel that preparing a property inspection as contemplated by the HUD rules, requires that the appraiser should have substantial experience in the field, or specific education in the proper techniques of property inspection. The HUD regulations indicate that if the appraiser feels there is good reason to have the property inspected by a professional property inspector, they can request one. A number of appraisers have indicated they will call for a professional property appraisal in nearly every case to protect themselves.

Reprinted by permission from the *Property Inspector News*, Vol. 7No. 2

“Raise” the Garage?

by Jack McCarty

(The following article appeared in the Kentucky Real Estate News. We thought you'd like to read it.)

Back in the late 70's, while I was a staff appraiser for F.H.A. here in Kentucky, I learned a valuable lesson about how the words we say and use are sometimes not understood in a manner consistent with our intention.

While working in Northern Kentucky, I was assigned an appraisal for a residential property seeking financing under the F.H.A. mortgage insurance program. My inspection of this property revealed the home itself to be acceptable under existing F.H.A. guidelines; however, when I went out into the backyard, I observed a dilapidated, frame one-car garage which was leaning to the left to such a degree that it would make the Leaning Tower of Pisa look straight. I determined that this structure was not salvageable and therefore I made a repair requirement to “**raze**” the detached garage in order to obtain the desired F.H.A. insurance.

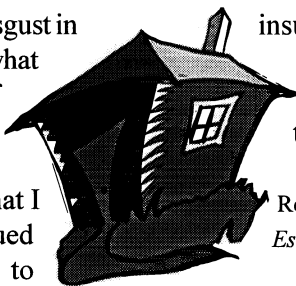
Approximately three to four weeks passed and I was again assigned to work in the Northern Kentucky area doing appraisals and checking repair requirements. In that particular batch of assignments was the case in which I required that the garage be torn down. I called the homeowner to set up a time to inspect this repair requirement and I could detect a slight air of disgust in his voice. I thought it somewhat peculiar that he asked me if I was the same young fella that came out to his house the first time. I told him that I was that person and continued to make an appointment to

dome out to his property the following afternoon.

When I arrived at the property the homeowner met me in the front yard and by the tone in his voice and certain comments made I suspected that something was not quite right. As we proceeded to go into the backyard, I looked in amazement when I saw the little frame garage still standing. In fact it was no longer leaning and was taller. Out of the corner of my eye I glanced back at the man just in time to hear him say “okay you blankity-blank college boy, I hope you realize how much trouble it was **raising** up that ole no-count garage and putting those concrete blocks under it to make it taller. Did I **raise** it up tall enough to suit ya?” I was bewildered with what I should say next to this well-intentioned man. He did **raise** the garage, although my repair requirement ordered the garage to be **razed**. Finally, I knew I had to say something. I told the man that he did a fine job of **raising** the garage, since I didn't have the heart to tell the man I didn't want the garage to be taller but wanted it to be torn down.

As I got back into my car I signed off on the HUD/FHA repair inspection report that the garage had been **raised** not **razed**. No one at the HUD/FHA office ever questioned the changed spelling of the word **razed** on the report and I assume to this day that this property received its FHA mortgage insurance financing. Lesson

Learned: Say what you mean but say it in a manner that's understandable to all.



Reprinted from the *Kentucky Real Estate News*, No. 189, Summer 2000

Wanted: Experience Reviewers

Have you ever asked yourself, “How can I give something back to the appraisal profession?” Or, “How can I become involved in improving professionalism in appraising?” If so, you may now have the opportunity to be of service.



Because of the amendment of the Real Estate Appraiser Licensing and Certification Act, larger numbers of appraisers are applying to become State Licensed Appraisers or State-certified Appraisers. Consequently, the Experience Review Committee, appointed by the Real Estate Appraiser Licensing and Certification Board (the “Board”), is being asked to review the experience of many more applicants. The Board has decided to appoint a limited number of additional reviewers to the Committee during this period of higher demand. Members of the Committee serve on a voluntary basis at the pleasure of the Board. To serve on the Committee you must be a State-certified Residential Appraiser or a State-certified General Appraiser.

If you are interested in serving on the Experience Review Committee, please contact the Division of Real Estate.



State of Utah
APPRAISER CONTINUING
EDUCATION REPORT FORM

Division of Real Estate
PO Box 146711
Salt Lake City, UT
84114-6711
(801) 530-6747

1. This form must be completed in its entirety. If any portion of the form is incomplete, it will be returned to you.
2. Keep a copy of this form for your files.
3. At time of renewal ONLY, submit this form to: Utah Division of Real Estate
PO Box 146711
Salt Lake City, UT 84114-6711
4. If this form is submitted without renewal papers, it will be destroyed.

PLEASE TYPE OR PRINT LEGIBLY.

Name _____	Social Security Number _____
Mailing Address _____	License Number _____
City/State/Zip Code _____	Telephone Number _____

Program Title _____	Sponsoring Organization _____
Program Date(s) _____	Number of Hours _____
Program Location _____	
Description of Activity and Content (you may attach a brochure) _____	

Signature of Instructor/Program Official

Continuing Education courses must be for a minimum of two hours in length. Each course must meet the subject matter requirement of the Appraiser Qualifications Board which is the following:

- | | |
|---|---|
| <ul style="list-style-type: none">a. Ad valorem taxationb. Arbitrationc. Business courses related to practice of real estate appraisald. Construction estimatinge. Ethics and standards of professional practicef. Land use planning, zoning and taxationg. Management, leasing, brokerage, timesharing | <ul style="list-style-type: none">h. Property developmenti. Real estate appraisal (valuations/evaluations)j. Real estate lawk. Real estate litigationl. Real estate financing and investmentm. Real estate appraisal related computer applicationsn. Real estate securities and syndicationo. Real property exchange |
|---|---|

I certify that I have completed the above course in its entirety. I understand that the information on this form may be verified. I am aware that any misrepresentation by me may be subject to disciplinary action.

Signature of Licensee

Date

Department of Commerce
Division of Real Estate
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Processing Delays—You Can Help

With approximately 2,000 appraisers and 15,000 real estate licensees currently in Utah, the Division of Real Estate processes huge amounts of paperwork every day. When we receive an incomplete or inaccurate application or renewal, our staff must spend additional time communicating with the applicant or licensee in order to resolve the situation. The extra time spent on inaccurate forms affects the processing times for all paperwork.

Before submitting forms to the Division, please check them for accuracy, completeness, and proper signatures. Just a few minutes spent reviewing your own paperwork could save a lot of time and trouble, and allow us to serve all licensees in a more expeditious manner.

If you have questions, please take the time to read the instructions that are included with all paperwork. If it is still unclear at that point, we'd be happy to answer your questions. Feel free to call us at (801) 530-6747.